

**Testimony of Ken Rosenquest
On Behalf of
The Connecticut Association of Ambulatory Surgery Centers
Before the CT State Tax Panel**

September 16, 2015

Good Afternoon Chairman Dyson, Chairman Nickerson and distinguished members of the Connecticut State Tax Panel. My name is Ken Rosenquest. I am the President of the Connecticut Association of Ambulatory Surgery Centers, representing 61 freestanding outpatient surgical facilities in the state of Connecticut.

As you consider changes to tax policy and structure, I am here today to provide you with an example of how poorly thought out tax policy has created unintended consequences. Consequences that make healthcare less affordable and will ultimately impact access to quality healthcare for all Connecticut residents.

Ambulatory surgery centers provide high quality, affordable, community-based options for Connecticut residents in need of surgery care. Procedures performed in Connecticut ASCs cost on average half as much as procedures performed in a hospital-based outpatient facility. Connecticut surgery centers save patients millions of dollars annually through lower deductibles and co-payments. And, insurers, like the state of Connecticut, also benefit from these lower costs.

Attached to my testimony I have included a CBIA document provided to its members that illustrates the cost-effectiveness and benefits of accessing care in an ambulatory surgery center. For example, a colonoscopy which is a potentially lifesaving test for diagnosing colon cancer, costs about \$750 in an ambulatory surgery center and more than \$1,600 in a hospital outpatient department.

This is just one example that gives you an understanding of the role ambulatory surgery centers play in providing high quality, easily accessible surgical care that is cost effective for patients and payers.

Unfortunately, late in the 2015 legislative session, without the benefit of a public hearing or outreach to the ASC community, a new healthcare provider tax of 6% on gross receipts was imposed on ambulatory surgery centers. This newly imposed provider tax will have a crippling effect on our centers.

The ASC provider tax will result in some ambulatory surgery centers in Connecticut operating at a loss, thus resulting in possible closures. Not only will Connecticut residents lose their jobs, but ASC closures will force patients into higher cost settings. Patients will see increased medical costs through higher deductibles, higher co-payments and higher co-insurance.

For many ASCs, the 6% provider tax on gross receipts translates to an effective income tax rate of 30%. These gross receipts are used to pay our dedicated staff members, to meet high quality standards, for paying sales & use taxes to the state, to pay property taxes to the communities in which we live and work, and for purchasing cutting-edge technology that makes healthcare more efficient and affordable. In essence, this top-line tax is applied before any of these expenses are deducted.

For example, when a surgery center purchases implants for a shoulder surgery, it pays a sales tax on the implants. An insurer may reimburse the facility for the total cost of the implant, which includes the sales tax. This is a contractual provision designed to give patients access to the highest quality medical devices by making the expense a pass through to the ASC.

However, when it comes to calculating the ASC's gross receipts tax, both the reimbursement for the implants and the sales tax paid fall into the definition of gross receipts. This pass through expense is now captured as a gross receipt, thus resulting in an additional tax liability. With the increased use of implants in many procedures, it will further push ASCs to the point where they won't be able to cover the costs of medically necessary equipment for common surgical procedures.

Additionally, ASCs are reimbursed at a rate much lower than hospital-based outpatient departments. On average, Medicare reimburses ASCs at a rate that is nearly half (58%) of the amount Medicare pays to hospital outpatient departments (HOPDs). ASCs have managed to survive in this space given that particular headwind, and by doing so, have given the citizens of Connecticut increased access to affordable healthcare. This tax will make those headwinds even stronger.

This tax will drive up costs for healthcare services provided by surgery centers thus eroding their competitiveness. Some surgery centers may have no choice other than to shut down – driving patients to more expensive, high cost surgery settings where the costs on average are twice as much. Patients, payers and the taxpayers of this state will shoulder the burden of the increased healthcare costs.

In addition, while other healthcare providers have a multitude of federal, state and local tax exemptions, ASCs pay federal and state income taxes, state sales tax and local property taxes.

In your own criteria you state, "Taxes should be designed to avoid unintended interference with private (consumer, worker, producer) decisions." People suffering from health issues should not pay the price for Connecticut's state budget shortfall. Unfortunately, the newly imposed ASC provider tax will result in higher cost and fewer healthcare options for Connecticut residents. On behalf of the CAASC membership, their employees and the patients we serve, we completely agree that tax policy should not interfere and limit private sector choice in healthcare delivery

and we are respectfully requesting the state tax panel recommend full repeal of the ASC provider tax of 6%.

As you look for recommendations and solutions to improve the state's approach to tax policy, I would point to our situation as a way to highlight the flaws in the current system. Passing taxes in the 11th hour without time to properly explore the long and short-term ramifications and consequences and without any opportunity for public comment is a bad approach. In addition to recommending the repeal of this tax, I hope you will recommend changes to the process used to formulate the tax package and ensure that public hearings are held and industry insight considered on significant tax policy changes.

Thank you for the opportunity to address the panel and I am available to answer any questions.